

# SENATE BILL REPORT

## SB 6065

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As Reported by Senate Committee On:  
Government Operations & Elections, February 24, 2009

**Title:** An act relating to the structure and authority of the liquor control board.

**Brief Description:** Addressing the structure and authority of the liquor control board.

**Sponsors:** Senators Fairley and Shin; by request of Governor Gregoire.

**Brief History:**

**Committee Activity:** Government Operations & Elections: 2/24/09 [DP].

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### SENATE COMMITTEE ON GOVERNMENT OPERATIONS & ELECTIONS

**Majority Report:** Do pass.

Signed by Senators Fairley, Chair; Oemig, Vice Chair; Roach, Ranking Minority Member; McDermott, Pridemore and Swecker.

**Staff:** Edward Redmond (786-7471)

**Background:** The Washington State Liquor Control Board (Board) is a three-member board charged with the administration of the Washington State Liquor Act (Act). As an agency, the Board operates the state liquor stores; oversees contract liquor stores; issues liquor licenses and permits; regulates the manufacture, distribution and sale of beer and wine; enforces liquor and tobacco laws; conducts education; and collects taxes. The Board has authority to adopt rules to carry the Act into effect.

Board members are appointed by the Governor with the consent of the Senate for six-year terms. The Governor may appoint one of the members as Chair of the Board (Chair). Board members must devote their entire time to the duties of the office, may not hold any other public office, and are salaried.

Streamlining of the Board commenced in 2000 when an Administrative Director was hired and tasked with the responsibility of day-to-day operations. The work and pay of the Board was subsequently reduced to 60 percent in 2002. A comprehensive management review of the Board was conducted by an independent consulting firm in 2005. The consulting firm recommended that a voluntary board structure be implemented.

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*This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.*

**Summary of Bill:** The Board is changed from an agency administered by salaried Board members to an agency administered by a director with the oversight of part-time Board members. The Office of Director of the Board (Director) is established. The Director is appointed by the Governor with the consent of the Senate and serves at the pleasure of the Governor. The Director is responsible for the supervision and administration of the operation of the Board.

The Board members must meet at least monthly, at such other times as called by the Chair, or upon written request to the Chair by two of the Board members. The restriction on Board members holding other offices is removed. Board members oversee compensation, receive \$100 for each day the member attends an official meeting or performs duties approved by the Chair, and receive travel expenses.

**Appropriation:** None.

**Fiscal Note:** Requested on February 20, 2009.

**Committee/Commission/Task Force Created:** No.

**Effective Date:** The bill contains an emergency clause and takes effect on July 1, 2009.

**Staff Summary of Public Testimony:** PRO: This bill is part of the Governor's overall reform effort to eliminate over 150 boards and commissions. This bill does three things: 1) streamlines the administrative process, resulting in a more efficient agency; 2) saves an estimated \$728,000 per biennium by eliminating the pay for the board positions as well as the administrative staff supporting the board; and 3) puts the Board in line with other similar boards that are voluntary like the gambling and lotto commission. This bill is a continuation of the reform process that began in 2000 and formally puts into place what exists in the agency today. This bill takes that final step in moving board members to a voluntary structure as recommended in 2005 by Public Knowledge, an independent consulting firm. These changes make sense especially in the current economic climate and the budget crisis we are facing.

CON: The 60 percent balance with the Associate Director is an appropriate balance for the Board, given its regulatory nature and the products it regulates. This agency is different from the gambling and lotto commission, which only has a single function. The Board has a retail and wholesale division, licensing division, and law enforcement division. The current structure of the board has worked extremely well in the last few years. The retail division it manages is a multimillion dollar branch. If this were set up as a normal company, you would not have volunteers running it. You would instead have a paid management team. The Board members take on heavy policy roles, dealing with a very complex code. Having professionals that work with the code everyday and understand it is very helpful to us.

**Persons Testifying:** PRO: Lorraine Lee, Liquor Control Board; Peter Bogdanoff, Governor's Office.

CON: Holly Chisa, Northwest Grocery Association; Michael Transue, Washington Restaurants Association; Carrie Tellefsu, Distillery Representatives Association of Washington.